

Message Text

CONFIDENTIAL

PAGE 01 ALGIER 02755 111657Z

60

ACTION EB-07

INFO OCT-01 EUR-12 NEA-06 ISO-00 FEA-01 AEC-05 AID-05

CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-01

INR-05 INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01

SAM-01 OES-03 SP-02 SS-15 STR-01 TRSE-00 FRB-01 /086 W

----- 026983

R 111600Z DEC 74

FM AMEMBASSY ALGIERS

TO SECSTATE WASHDC 1546

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY PARIS

AMEMBASSY VIENNA

USMISSION EC BRUSSELS UNN

USMISSIONOECD PARIS UNN

C O N F I D E N T I A L ALGIERS 2755

E.O. 11652: GDS

TAGS: ENRG, AG

SUBJ: EUROGAS I CONSORTIUM AT THE CROSSROADS

REF: BONN 19035

1. EMBASSY HAS ADVOCATED SAME POSITION AS THAT
EXPRESSED IN BONN'S REFTEL EXCEPT WE WOULD ALSO
INCLUDE FRENCH IN ANY DISCUSSION OF PURCHASE PLANS
OF ALGERIAN GAS.

2. IN EMBASSY'S OPINION EUROGAS I CONSORTIU WILL
COLLAPSE IF ORIGINAL DEAL CANNOT BE PATCHED UP.
CONSORTIUM WAS VERY DELICATELY PUT TOGETHER WITH
NATIONAL GAS PURCHASES LINKED TO PERCENTAGE OF
NATIONAL CONSTRUCTION CONTRACTS WHICH IN TURN WERE LINKED
TO AMOUNT OF UNTIED AND TIED FINANCING. ONCE THIS
STARTS TO UNRAVEL AND WITH CONSTRUCTION CONTRACT SIGNED
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 ALGIER 02755 111657Z

INCLUDING USE OF A BASIC AMERICAN ENGINEERING PROCESS

AND BUILDER CHEMICO (SUBSIDAIRY OF AIR PRODUCTS),
IT IS HARD TO PUT HUMPTY DUMPTY BACK TOGETHER AGAIN.

3. WHAT MAY HAPPEN IS THAT EUROGAS I CONSORTIUM WILL
BE RENEGOTIATED AS A SMALLER, BASICALLY FRENCH, BELGIAN,
SWISS GROUP FOR ABOUT TEN BILLION CUBIC METERS OF GAS
A YEAR. THEN THREE GREMAN FIRMS WILL BAND TOGETHER
WITH RUHR GAS WHICH HAS A SEPARATE CONTRACT FOR
ALGERIAN GAS IN A SECOND 10 BILLION CUBIC METER CONTRACT.
HOWEVER, THIS WOULD ENTAIL HIGHER PRICES FOR THE GAS
AND NEW CONSTRUCTION BIDS FOR THE LNG PLANTS. THE
PLANTS COSTS HAVE SO ESCALATED THAT SOME INCREASES
IN THE PRICE OF GAS ARE NEEDED OR ELSE VERY HIGH
SUBSIDIES ON CAPITAL LOANS TO MAKE THE PROJECTS
ECONOMIC.

4. THE KEY UNKNOWN IS THE MARKET DEMAND FOR
ALGERIAN GAS. U.S. POLICY STATEMENTS ON THE
IMPORT OF LNG LIKE THAT OF JAMES A. WEST IN NEW YORK
OF OCTOBER 22, 1974, CERTAINLY DO NOT LEAD THE
ALGERIANS TO EXPECT HIGH GAS PRICES FROM THE U.S.

5. EL PASO IS IN ALGERIA REVIEWING THE PROGRESS
OF THEIR FIRST CONTRACT, EL PASSO I, WHICH IS

PROCEEDING WELL. PRESUMABLY THEY WILL ALSO DISCUSS THEIR
SECOND PROJECT; BUT THERE HAS NOT BEEN MUCH
ACTIVITY ON THEIR PART IN THE LAST FEW MONTHS.
HOWEVER DISTRIGAS IS REPUTED TO BE CLOSE TO AIGNING
AGAIN A CONTRACT FOR THE PURCHKASE OF ALGERIAN GAS.
BARR

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NATURAL GAS, JOINT VENTURES, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 11 DEC 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974ALGIER02755
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740360-0169
From: ALGIERS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741245/aaaabmhz.tel
Line Count: 94
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 74 BONN 19035
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 28 MAR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <28 MAR 2002 by elyme>; APPROVED <28 MAY 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EUROGAS I CONSORTIUM AT THE CROSSROADS
TAGS: ENRG, AG, FR
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005